

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, June 23, 1999

IMPLEMENTATION OF SENATE BILL 2045 (GREENE)

PURPOSE OF REPORT

To present a request to amend the State Allocation Board (SAB) policy adopted September 23, 1993, regarding Senate Bill (SB) 1379 due to the passage of SB 2045.

BACKGROUND

Current SAB policy regarding SB 1379 specifies that certain projects could be given priority one funding status of 50/50 projects even if the district could not provide its 50 percent share of the project cost. The district could achieve this funding priority by the following:

1. Have bonded indebtedness of at least 95 percent of its bonding capacity.
2. Agree that certain local revenue resources would be applied towards the cost of the project as follows:
 - Any unexpended bonding capacity of the district including all unencumbered bond funds available, sold or unsold; and,
 - Any funding made available to the district for school facilities purposes, including but not limited to developer fees.
 - The local revenue resource requirement would continue until the district's bonding capacity increased by 20 percent or the district funded 50 percent of the project.

DESCRIPTION

SB 2045, Chapter 957, Statutes of 1998 amended Education Code Section 17017.9 addressing this policy. The requirement that the district have a bond indebtedness of at least 95 percent of its capacity and that any unexpended bonding capacity of the district be applied against the project remains the same. However, SB 2045 states that funding pursuant to the Mello-Roos Community Facilities Act of 1982 is included within the definition of bonded indebtedness for purposes of calculating the 95 percent. In addition, the section regarding developer fees has been changed to **either** of the following:

1. The district agrees that developer fees imposed pursuant to Education Code Section 17620 shall apply toward the project, not to exceed 50 percent of the project cost. Fees needed for interim housing costs for capital outlay purposes for modernization and new construction projects, school district administration capital outlay projects, and capital outlay projects for transportation needs are exempt from the requirement.
2. If the district's average daily attendance (ADA) is 2,500 or less, it does not have to contribute developer fees toward the project.

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LEGAL ANALYSIS

SB 2045 authorizes the retroactive recalculation of the allowances and apportionments previously made under Education Code Section 17017.9 and makes those calculations in accordance with the amendments made to Education Code Section 17017.9.

STAFF COMMENTS

SB 2045 appears to be retroactive, as there is a provision that the SAB may recalculate program allowances and apportionments for projects previously approved under SB 1379. There have only been six districts with projects approved and funded under the provisions of the policy adopted by the SAB regarding SB 1379. Five of the six districts had ADA under 2,501 at the time of the SAB approval.

RECOMMENDATION

1. For purposes of this policy, Mello-Roos bonds shall be included in the calculation of a district's bonded indebtedness.
2. For districts with an ADA over 2,500, deductions from their developer fees for reasonable interim housing costs for capital outlay purposes for modernization and new construction projects, reasonable costs for school district administration capital outlay projects, and reasonable costs for capital outlay projects for transportation needs may be made prior to determination of the districts' contribution to the project. Districts must report their developer fee collection, along with a detailed listing of allowable expenditures on a quarterly basis until completion of the project.
3. For districts with an ADA under 2501, no contribution of developer fees is required.
4. For purposes of this policy, ADA shall be determined based on 97 percent of the California Basic Education Data Systems enrollment at the time of application approval by the SAB.

This Item was approved by the State Allocation Board on June 23, 1999.